



Joint Legislative Audit Committee  
Office of the Auditor General



---

**FINANCIAL AUDIT REPORT  
BOARD OF GOVERNORS OF THE  
CALIFORNIA COMMUNITY COLLEGES  
YEAR ENDED JUNE 30, 1979**

REPORT TO THE  
CALIFORNIA LEGISLATURE

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

430

FINANCIAL AUDIT REPORT  
BOARD OF GOVERNORS OF THE  
CALIFORNIA COMMUNITY COLLEGES  
YEAR ENDED JUNE 30, 1979

JULY 1980



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS  
ALBERT RODDA  
PAUL CARPENTER  
JOHN NEJEDLY  
ROBERT PRESLEY  
  
ASSEMBLYMEN  
S. FLOYD MORI  
DANIEL BOATWRIGHT  
LEROY GREENE  
BRUCE NESTANDE

□ STATE CAPITOL  
SACRAMENTO 95814  
(916) 445-7380

□ 925 L STREET  
SUITE 750  
SACRAMENTO 95814  
(916) 445-0255

S. FLOYD MORI  
CHAIRMAN

July 16, 1980

430

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Board of Governors of the California Community Colleges, year ended June 30, 1979.

The auditors are Richard I. LaRock, CPA; Mildred M. Kiesel, CPA; Donald H. McGilvray, CPA; Douglas D. Cordiner; and Peter A. Wolfe.

Respectfully submitted,

S. FLOYD MORI  
Chairman, Joint Legislative  
Audit Committee

Attachment

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET	5
ALL FUND TYPES AND ACCOUNT GROUPS	
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY	6
ALL GOVERNMENTAL FUND TYPES	
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL	7
GENERAL AND SPECIAL REVENUE FUND TYPES	
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY	8
ALL NONEXPENDABLE TRUST FUNDS	
NOTES TO THE FINANCIAL STATEMENTS	9
SUPPLEMENTAL INFORMATION	15
COMBINING BALANCE SHEETS	
ALL SPECIAL REVENUE FUNDS	16
ALL CAPITAL PROJECTS FUNDS	17
ALL NONEXPENDABLE TRUST FUNDS	18

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL	19
ALL SPECIAL REVENUE FUNDS	
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY	20
ALL CAPITAL PROJECTS FUNDS	
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY	21
ALL NONEXPENDABLE TRUST FUNDS	
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES	22
ALL AGENCY FUNDS	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL	23
ALL GENERAL FUND APPROPRIATIONS	
OTHER COMMENTS	24

## INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted an audit of the Board of Governors of the California Community Colleges. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Board of Governors of the California Community Colleges was established by Chapter 1549, Statutes of 1967 to provide statewide leadership to the public community college segment of California higher education while maximizing local autonomy. Prior to this time, the community colleges were generally under the jurisdiction of the state Department of Education.

The Board of Governors of the California Community Colleges is composed of 14 members appointed by the Governor with the advice and consent of the state Senate and 1 student member appointed by the Governor. The board is headquartered in Sacramento. The chief administrative officer is the Chancellor who is appointed by the Board of Governors. The Chancellor's Office is the administrative staff of the Board of Governors. This office administers the community colleges credential program, extended opportunity programs and services,

capital outlay for California community colleges, federally funded programs and apportionments to community college districts from the State School Fund.

Programs of the Board of Governors of the California Community Colleges are supported primarily by appropriations from the General Fund, credential fees, plan checking fees, federal funds, and income from surplus money investments.

## AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

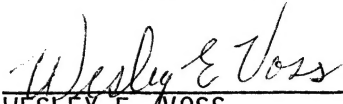
We have examined the combined balance sheet of the Board of Governors of the California Community Colleges as of June 30, 1979 and the related statements of revenues, expenditures, and changes in fund equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The scope of our examination did not include a review of local community college districts to determine their compliance with applicable state and federal regulations. The Education Code requires that an independent audit be made annually of each community college district.

In our opinion, the aforementioned financial statements present fairly the financial position of the Board of Governors of the California Community Colleges at June 30, 1979 and the results of its operations and changes in fund equity for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 and the accompanying supplemental information are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. This information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



In connection with our examination, we also (1) made a study and evaluation of the Board of Governors of the California Community Colleges' system of internal control and (2) performed tests of compliance with the Revenue Sharing and Antirecession Fiscal Assistance Acts and regulations as required by Section II.C.3 and III.C.3 of the Audit Guide and Standards for Revenue Sharing and Antirecession Fiscal Assistance Fund Recipients issued by the Office of Revenue Sharing, United States Department of the Treasury. We did not note any instances of noncompliance with the regulations.

  
WESLEY E. VOSS  
Assistant Auditor General

Date: January 31, 1980

Staff: Richard I. LaRock, CPA  
Mildred M. Kiesel, CPA  
Donald H. McGilvray, CPA  
Douglas D. Cordiner  
Peter A. Wolfe

## BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1979

ASSETS	Governmental Fund Types			Fiduciary Fund Types		Account Group	Totals
	General	Special Revenue	Capital Projects	Nonexpendable Trusts	Agency	General Fixed Assets	(Memorandum Only) June 30, 1979
Cash	\$ (2,714)	\$329,087	\$ --	\$1,061,863	\$7,826	\$ --	\$ 1,396,062
Deposits in Surplus Money Investment Fund (Note 2)	--	--	--	2,197,450	--	--	2,197,450
Accounts receivable	50,938	39,175	--	--	--	--	90,113
Loans receivable from districts - current (Note 3)	--	--	--	61,713	--	--	61,713
Deferred charges	17,900	--	--	--	--	--	17,900
Due from Surplus Money Investment Fund (Note 2)	--	--	--	97,904	--	--	97,904
Due from other funds	485,456	--	--	--	--	--	485,456
Expense advances to employees	5,446	--	--	--	--	--	5,446
Loans receivable from districts - due in over one year (Note 3)	--	--	--	77,426	--	--	77,426
Equipment	--	--	--	--	--	158,765	158,765
Total Assets	<u>\$ 557,026</u>	<u>\$368,262</u>	<u>\$ --</u>	<u>\$3,496,356</u>	<u>\$7,826</u>	<u>\$158,765</u>	<u>\$ 4,588,235</u>
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 638,669	\$207,386	\$ 2,024,965	\$ 1,049	\$ --	\$ --	\$ 2,872,069
Due to General Fund	--	50,000	--	--	--	--	50,000
Due to other funds	149,644	--	--	--	--	--	149,644
Due to county school superintendents	--	--	--	--	7,826	--	7,826
Total Liabilities	<u>788,313</u>	<u>257,386</u>	<u>2,024,965</u>	<u>1,049</u>	<u>7,826</u>	<u>--</u>	<u>3,079,539</u>
Encumbrances Outstanding	<u>12,334,723</u>	<u>21,373</u>	<u>37,445,072</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>49,801,168</u>
Fund Equity:							
Investment in General Fixed Assets	--	--	--	--	--	158,765	158,765
Fund balance:							
Designated corpus	--	--	--	3,100,000	--	--	3,100,000
Designated for special operations	--	89,503	--	395,307	--	--	484,810
Operating clearing (Note 4)	(12,566,010)	--	(39,470,037)	--	--	--	(52,036,047)
Total Fund Equity	<u>(12,566,010)</u>	<u>89,503</u>	<u>(39,470,037)</u>	<u>3,495,307</u>	<u>--</u>	<u>158,765</u>	<u>(48,292,472)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 557,026</u>	<u>\$368,262</u>	<u>\$ --</u>	<u>\$3,496,356</u>	<u>\$7,826</u>	<u>\$158,765</u>	<u>\$ 4,588,235</u>

The notes to the financial statements are an integral part of this statement.

BOARD OF GOVERNORS OF THE  
CALIFORNIA COMMUNITY COLLEGES  
COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND EQUITY  
ALL GOVERNMENTAL FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Revenues:				
Fees	\$ --	\$ 344,624	\$ --	\$ 344,624
Intergovernmental revenues	--	99,339	--	99,339
Miscellaneous revenues	<u>1,780</u>	<u>--</u>	<u>--</u>	<u>1,780</u>
Total Revenues	<u>1,780</u>	<u>443,963</u>	<u>--</u>	<u>445,743</u>
Other Financing Sources:				
Appropriations (Note 5)	20,471,140	--	24,833,753	45,304,893
Transfers from the State School Fund	--	800,000	--	800,000
Transfers from the General Fund	<u>--</u>	<u>797,264,900</u>	<u>--</u>	<u>797,264,900</u>
Total Other Financing Sources	<u>20,471,140</u>	<u>798,064,900</u>	<u>24,833,753</u>	<u>843,369,793</u>
Total Revenues and Other Financing Sources	<u>20,472,920</u>	<u>798,508,863</u>	<u>24,833,753</u>	<u>843,815,536</u>
Expenditures:				
Current:				
Personal services	2,956,350	317,465	--	3,273,815
Operating expenses and equipment	1,122,384	129,367	--	1,251,751
Adjustments from liquidation of accruals (Note 7)	(60,778)	--	--	(60,778)
Reimbursements	<u>(1,620,488)</u>	<u>--</u>	<u>--</u>	<u>(1,620,488)</u>
Total Current Expenditures	<u>2,397,468</u>	<u>446,832</u>	<u>--</u>	<u>2,844,300</u>
Capital outlay	4,189,521	--	7,394,976	11,584,497
Adjustments from liquidation of accruals (Note 7)	<u>--</u>	<u>--</u>	<u>(286,967)</u>	<u>(286,967)</u>
Total Capital Outlay	<u>4,189,521</u>	<u>--</u>	<u>7,108,009</u>	<u>11,297,530</u>
Intergovernmental:				
Extended opportunity programs and services	17,389,919	--	--	17,389,919
State School Fund apportionments	--	795,264,900	--	795,264,900
Instructional improvement grants	--	950,421	--	950,421
Adjustments from liquidation of accruals (Note 7)	<u>(192,497)</u>	<u>--</u>	<u>--</u>	<u>(192,497)</u>
Total Intergovernmental Expenditures	<u>17,197,422</u>	<u>796,215,321</u>	<u>--</u>	<u>813,412,743</u>
Total Expenditures	<u>23,784,411</u>	<u>796,662,153</u>	<u>7,108,009</u>	<u>827,554,573</u>
Other Uses:				
Operating transfers out	--	1,800,000	--	1,800,000
Intrafund transfers (Note 6)	<u>1,376,641</u>	<u>--</u>	<u>--</u>	<u>1,376,641</u>
Total Expenditures and Other Uses	<u>25,161,052</u>	<u>798,462,153</u>	<u>7,108,009</u>	<u>830,731,214</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(4,688,132)	46,710	17,725,744	13,084,322
Fund Equity:				
Fund Balance - July 1	--	42,793	--	42,793
Operating Clearing - July 1	<u>(7,877,878)</u>	<u>--</u>	<u>(57,195,781)</u>	<u>(65,073,659)</u>
Fund Balance - June 30	\$ --	\$ 89,503	\$ --	\$ 89,503
Operating Clearing - June 30 (Note 4)	<u><u>\$(12,566,010)</u></u>	<u><u>\$ --</u></u>	<u><u>\$(39,470,037)</u></u>	<u><u>\$(52,036,047)</u></u>

The notes to the financial statements are an integral part of this statement.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance
Revenues:									
Fees	\$ --	\$ --	\$ --	\$ 575,560	\$ 344,624	\$ (230,936)	\$ 575,560	\$ 344,624	\$ (230,936)
Intergovernmental revenues	--	--	--	105,286	99,339	(5,947)	105,286	99,339	(5,947)
Miscellaneous revenues	--	1,780	1,780	--	--	--	--	1,780	1,780
Total Revenues	--	1,780	1,780	680,846	443,963	(236,883)	680,846	445,743	(235,103)
Other Financing Sources:									
Appropriations (Note 5)	35,311,552	20,471,140	(14,840,412)	--	--	--	35,311,552	20,471,140	(14,840,412)
Transfers from the State	--	--	--	800,000	800,000	--	800,000	800,000	--
School Fund	--	--	--	797,264,900	797,264,900	--	797,264,900	797,264,900	--
Transfers from the General Fund	--	--	--	--	--	--	--	--	--
Total Other Financing Sources	35,311,552	20,471,140	(14,840,412)	798,064,900	798,064,900	--	833,376,452	818,536,040	(14,840,412)
Total Revenues and Other Financing Sources	<u>\$35,311,552</u>	<u>20,472,920</u>	<u>\$14,838,632</u>	<u>\$798,745,746</u>	<u>798,508,863</u>	<u>\$ (236,983)</u>	<u>\$834,057,298</u>	<u>818,981,783</u>	<u>\$15,075,515</u>
Expenditures:									
Current:									
Personal services	\$ 3,164,764	2,956,350	\$ 208,414	\$ *	317,465	\$ *	\$ *	3,273,815	\$ *
Operating expenses and equipment	1,366,452	1,122,384	244,068	*	129,367	*	*	1,251,751	*
Adjustments from liquidation of accruals (Note 7)	(60,778)	(50,778)	--	--	--	--	*	(60,778)	*
Reimbursements	(2,007,512)	(1,620,488)	(387,024)	--	--	--	*	(1,620,488)	*
Total Current Expenditures	2,462,926	2,397,468	65,458	630,530	446,832	183,698	3,093,456	2,844,300	249,156
Capital outlay	4,959,000	4,189,521	769,479	--	--	--	4,959,000	4,189,521	769,479
Intergovernmental:									
Extended Opportunity Programs and Services	17,389,919	17,389,919	--	--	--	--	17,389,919	17,389,919	--
State School Fund apportionments	--	--	--	795,264,900	795,264,900	--	795,264,900	795,264,900	--
Instructional improvements - grants	--	--	--	1,000,000	950,421	49,579	1,000,000	950,421	49,579
Adjustments from liquidation of accruals (Note 7)	(192,497)	(192,497)	--	--	--	--	(192,497)	(192,497)	--
Total Intergovernmental Expenditures	17,197,422	17,197,422	--	796,264,900	796,215,321	49,579	813,462,322	813,412,743	49,579
Total Expenditures	24,619,348	23,784,411	834,937	796,895,430	796,662,153	233,277	821,514,778	820,446,564	1,068,214
Other Uses:									
Operating transfers out	--	--	--	1,800,000	1,800,000	--	1,800,000	1,800,000	--
Intrafund transfers (Note 5)	1,376,641	1,376,641	--	--	--	--	1,376,641	1,376,641	--
Total Expenditures and other Uses	<u>\$25,995,989</u>	<u>25,161,052</u>	<u>\$ 834,937</u>	<u>\$798,695,430</u>	<u>798,462,153</u>	<u>\$ 233,277</u>	<u>\$824,691,419</u>	<u>823,623,205</u>	<u>\$ 1,068,214</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		(4,688,132)			46,710			(4,641,422)	
Fund Equity:									
Fund Balance - July 1	--	--	--	--	42,793	--	--	42,793	--
Operating Clearing - July 1 (Note 4)	--	(7,877,878)	--	--	--	--	--	(7,877,878)	--
Fund Balance - June 30	\$ --	\$ --	\$ --	\$ 89,503	\$ 89,503	\$ --	\$ 89,503	\$ 89,503	\$ --
Operating Clearing - June 30 (Note 4)	--	<u>\$(12,566,010)</u>	--	--	<u>\$ --</u>	--	--	<u>\$(12,566,010)</u>	--

\* The legislative budget for the Community College Credentials Fund is for total expenditures only.

BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
ALL NONEXPENDABLE TRUST FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Operating Revenues:	
Interest from Surplus Money	
Investment Fund	\$ 185,082
Operating Expenses	<u>36,214</u>
Income Before Operating	
Transfers	<u>148,868</u>
Operating Transfers In:	
Transfers from the State School Fund	<u>1,000,000</u>
Net Income	1,148,868
Fund Equity - July 1	<u>2,346,439</u>
Fund Equity - June 30	<u>\$3,495,307</u>

The notes to the financial statements are an integral part of  
this statement.

BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and the results of operations of the Board of Governors of the California Community Colleges. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting. The accompanying financial statements are structured into Governmental Fund Types, Fiduciary Fund Types, and an Account Group.

The Board of Governors of the California Community Colleges accounts for the entire Community College Credentials Fund, the Community College Fund for Instructional Improvement, the Community College District Organization Revolving Fund, and the General Fixed Assets Account Group. The board accounts for only its portion of these funds: the General Fund, the Special Deposit Fund, the Capital Outlay Fund for Public Higher Education, the State Construction Program Fund, and the State School Fund. The State Controller maintains control accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Fiduciary Funds--are accounted for through governmental funds. The Board of Governors of the California Community Colleges uses the state General Fund, capital projects funds, and special revenue funds which are categorized as Governmental Fund Types.

General Fund

This fund includes all financial resources not accounted for in another fund.

### Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The following are classified as capital projects funds:

#### Capital Outlay Fund for Public Higher Education

This fund was created to support major building construction and site acquisitions for institutions of public higher education (public community colleges, state universities and colleges, and the University of California system).

#### State Construction Program Fund

This fund was created for the support of major building construction, equipment, and site acquisitions as appropriated by the Legislature.

### Special Revenue Funds

These funds are used to account for specific revenues and operating expenditures earmarked for particular activities. The following are classified as special revenue funds:

#### Community College Credentials Fund

This fund is used as a depository for credentials fees collected by the board and for the support of the credentials office of the Board of Governors. Expenditures from the fund are authorized by appropriation of the Legislature.

#### State School Fund

As provided in the Education Code, various apportionments to California community college districts for state support and aid to public education are paid from this fund.

Community College Fund for  
Instructional Improvement (Grants)

This fund is used to provide grants to the community colleges for approved projects to improve traditional and innovative teaching programs.

All of the Governmental Fund Types are maintained on a modified accrual basis of accounting. The following are some of the more significant elements of accounting for this fund type:

Income

Throughout the fiscal year, all income including revenues, transfers, and reimbursements are accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income. All revenue receivables are estimated to be collected within one year.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments against budget appropriations are accrued as expenditures, including encumbrances outstanding for which no goods or services have been received. Expenditures incurred by the General Fund on behalf of the other Governmental Fund Types are reimbursed through a plan of financial adjustment filed with the State Controller.

Liabilities

Retirement Plan - Regular employees of the board are either members of the Public Employees' Retirement System (PERS) or the State Teachers Retirement System (STRS) which are defined benefit contributory retirement plans. Both the employer and the employee contribute to the respective plans. The amount the board and employees contribute to the plans is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The board's share of retirement contributions for the year was \$381,280.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.



## FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit in a capacity as trustee or as an agent for individuals or private organizations. The following funds are included in the Fiduciary Fund Type:

### Nonexpendable Trust Funds

Nonexpendable Trust Funds account for fiduciary resources for which the principal may not be expended. The following are included in the Nonexpendable Trust Funds:

#### Special Deposit Fund - Real Estate Endowment Fund (Parts A and B)

This fund is used to provide grants to community colleges for real estate programs and scholarship awards to the students enrolled in those programs. The grants and scholarships are financed from interest accruing on the principals of Trust Endowments A and B respectively.

#### Community College Fund for Instructional Improvement (Loans)

The board may authorize the transfer of monies from Section B of the State School Fund to this fund for the purpose of making loans to community colleges.

#### Community College District Organization Revolving Fund

Loans may be made from this fund to newly organized community college districts during their first three years of operation to aid the districts in meeting their current expenditure commitments.

### Agency Funds

Agency funds are used to account for resources received and held as an agent for others. The board accounts for agency funds by use of the following accounts in the Special Deposit Fund:

Tax Sheltered Annuity Account - This account is used as a depository for money withheld from the wages of board employees, at their election, to be invested in a deferred compensation plan.

Unemployment Insurance Administration Account - This account is used as a depository for funds transferred from the administrator of the School Employees Fund to the Chancellor of the California Community Colleges. The Chancellor apportions these funds, less actual administrative costs, to the County Superintendent of Schools to cover costs of administering the unemployment insurance management system.

The Fiduciary Fund Types are maintained on a modified accrual basis of accounting.

### GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for general fixed assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. Generally, all assets valued at \$150 or more with a useful life of two years or more are accounted for in the General Fixed Assets Account Group.

## 2. DEPOSITS IN SURPLUS MONEY INVESTMENT FUND

This account includes temporary cash reserves which may be transferred to and from the Surplus Money Investment Fund for cash flow and pooled investment purposes. Earnings derived from investments of the Surplus Money Investment Fund are apportioned to contributing funds in proportion to the resources each fund provided during the period and are accrued on statements of the board at June 30, 1979.

3. LOANS RECEIVABLE FROM DISTRICTS

Both the Community College District Organization Revolving Fund and the Fund for Instructional Improvement had loans outstanding which were due from community college districts. These loans are recovered by the State Controller from state apportionments.

4. OPERATING CLEARING

This account is the connecting link between the records of various agencies and the central fund accounts maintained by the State Controller for the General Fund and other funds not accounted entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the board is accountable.

5. APPROPRIATIONS

Funds provided from appropriations consist of cash disbursed by the State Controller from the board's appropriations for the year ended June 30, 1979 and liquidation of expenditures accrued against appropriations for prior periods.

6. INTRAFUND TRANSFERS

Intrafund transfers are cash receipts the board remitted to the State Treasury during the year. The transfers represent revenues, reimbursements, and refunds to reverted appropriations.

7. ADJUSTMENTS FROM LIQUIDATION OF ACCRUALS

This account includes the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30, and the actual amount of revenues, expenditures, abatements, and reimbursements obtained during the current fiscal year related to a prior fiscal year.

### SUPPLEMENTAL INFORMATION

The accompanying supplemental information presents balance sheet data, revenues, expenditures/expenses, and changes in fund equity, and budgetary data by fund. While not necessary for a fair presentation of the general purpose financial statements, the supplemental information is included to provide additional analytical data.

Exhibit 1

BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES

COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS

JUNE 30, 1979

<u>ASSETS</u>	<u>State School Fund (Part B)</u>	<u>Community College Credentials Fund</u>	<u>Community College Fund for Instructional Improvement (Grants)</u>	<u>Totals (Memorandum Only) June 30, 1979</u>
Cash	\$ --	\$69,909	\$259,178	\$329,087
Accounts receivable	--	--	39,175	39,175
Total Assets	<u>\$ --</u>	<u>\$69,909</u>	<u>\$298,353</u>	<u>\$368,262</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ --	\$36,321	\$171,065	\$207,386
Due to the General Fund	--	--	50,000	50,000
Total Liabilities	--	36,321	221,065	257,386
Encumbrances Outstanding	--	--	21,373	21,373
Fund Equity:				
Fund balance designated for special operations	--	33,588	55,915	89,503
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ --</u>	<u>\$69,909</u>	<u>\$298,353</u>	<u>\$368,262</u>

BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES

COMBINING BALANCE SHEET  
ALL CAPITAL PROJECTS FUNDS

JUNE 30, 1979

<u>ASSETS</u>	Capital Outlay Fund for Public Higher Education	State Construction Program Fund	Totals (Memorandum Only) June 30, 1979
Total Assets	\$ --	\$ --	\$ --
<u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 1,895,565	\$ 129,400	\$ 2,024,965
Encumbrances outstanding	33,543,498	3,901,574	37,445,072
Fund Equity:			
Operating clearing	(35,439,063)	(4,030,974)	(39,470,037)
Total Liabilities, Encumbrances Outstanding, and Fund Equity	\$ --	\$ --	\$ --

BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES

COMBINING BALANCE SHEET  
ALL NONEXPENDABLE TRUST FUNDS

JUNE 30, 1979

ASSETS	Special Deposit Fund		Community College Fund for Instructional Improvement (Loans)	Community College District Organization Revolving Fund	Totals (Memorandum Only) June 30, 1979
	Real Estate Endowment Fund "A"	Real Estate Endowment Fund "B"			
Cash	\$ 172	\$ 830	\$ 883,861	\$177,000	\$1,061,863
Deposits in Surplus Money Investment Fund	1,747,450	450,000	--	--	2,197,450
Loans receivable - current	--	--	38,713	23,000	61,713
Due from Surplus Money Investment Fund	77,562	20,342	--	--	97,904
Loans receivable - due in over one year	--	--	77,426	--	77,426
Total Assets	<u>\$1,825,184</u>	<u>\$471,172</u>	<u>\$1,000,000</u>	<u>\$200,000</u>	<u>\$3,496,356</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 40	\$ 1,009	\$ --	\$ --	\$ 1,049
Fund Equity:					
Fund balance:					
Designated corpus	1,500,000	400,000	1,000,000	200,000	3,100,000
Designated for special operations	325,144	70,163	--	--	395,307
Total Fund Equity	<u>1,825,144</u>	<u>470,163</u>	<u>1,000,000</u>	<u>200,000</u>	<u>3,495,307</u>
Total Liabilities and Fund Equity	<u>\$1,825,184</u>	<u>\$471,172</u>	<u>\$1,000,000</u>	<u>\$200,000</u>	<u>\$3,496,356</u>

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL  
ALL SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	State School Fund (Part B)			Community College Fund			Community College Fund for Instructional Improvement (Grants)			Totals (Memorandum Only)	
	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual
Revenues:											
Fees	\$ --	\$ --	\$ --	\$575,560	\$344,624	\$(230,936)	\$ --	\$ --	\$ --	\$ 575,560	\$ 344,624
Intergovernmental revenues	--	--	--	105,266	99,339	(5,947)	--	--	--	105,286	99,339
Total Revenues	--	--	--	680,846	443,963	(236,883)	--	--	--	680,846	443,963
Other Financing Sources:											
Transfers from the State School Fund	--	--	--	--	--	--	800,000	800,000	--	800,000	800,000
Transfers from General Fund	797,064,900	797,064,900	--	--	--	--	200,000	200,000	--	797,264,900	797,264,900
Total Other Financing Sources	797,064,900	797,064,900	--	--	--	--	1,000,000	1,000,000	--	798,064,900	798,064,900
Total Revenues and Other Financing Sources	\$797,064,900	797,064,900	\$ --	\$680,846	443,963	\$(236,883)	\$1,000,000	1,000,000	\$ --	\$798,745,746	798,508,863
Expenditures:											
Current:											
Personal services	\$ --	--	\$ --	\$ --	317,465	\$ --	\$ --	--	\$ --	\$ --	317,465
Operating expenses and equipment	--	--	--	--	129,367	--	--	--	--	--	129,367
Total Current Expenditures	--	--	--	--	446,832	183,698	--	--	--	630,530	446,832
Intergovernmental	795,264,900	795,264,900	--	--	--	--	1,000,000	950,421	49,579	796,264,900	796,215,321
Total Expenditures	795,264,900	795,264,900	--	630,530	446,832	183,698	1,000,000	950,421	49,579	796,895,430	796,662,153
Other Financing Uses:											
Operating transfers out	1,800,000	1,800,000	--	--	--	--	--	--	--	1,800,000	1,800,000
Total Expenditures and Other Uses	\$797,064,900	797,064,900	\$ --	\$630,530	446,832	\$ 183,698	\$1,000,000	950,421	\$49,579	\$798,695,430	798,462,153
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		--	--		(2,869)						46,710
Fund Equity:											
Fund Balance - July 1	--	--	--	--	36,457	--	--	6,336	--	--	42,793
Fund Balance - June 30	\$ --	\$ --	\$ --	\$ 33,588	\$ 33,588	\$ --	\$ 55,915	\$ 55,915	\$ --	\$ 89,503	\$ 89,503

\* The legislative budget for the Community College Creditals Fund is for total expenditures only.



BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND EQUITY  
ALL CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Capital Outlay Fund for Public Higher Education	State Construction Program Fund	Totals (Memorandum Only)
Sources:			
Appropriations	<u>\$ 21,996,650</u>	<u>\$ 2,837,103</u>	<u>\$ 24,833,753</u>
Expenditures:			
Capital outlay	7,256,776	138,200	7,394,976
Adjustments from liquidation of accruals	<u>(1,373,806)</u>	<u>1,086,839</u>	<u>(286,967)</u>
Total Expenditures	<u>5,882,970</u>	<u>1,225,039</u>	<u>7,108,009</u>
Excess of Sources over (under) Expenditures	16,113,680	1,612,064	17,725,744
Fund Equity:			
Operating Clearing - July 1	<u>(51,552,743)</u>	<u>(5,643,038)</u>	<u>(57,195,781)</u>
Operating Clearing - June 30	<u><u>\$(35,439,063)</u></u>	<u><u>\$(4,030,974)</u></u>	<u><u>\$(39,470,037)</u></u>

BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
ALL NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDING JUNE 30, 1979

	Special Deposit Fund		Community College Fund for Instructional Improvement (Loans)	Community College District Organization Revolving Fund	Totals (Memorandum Only)
	Real Estate Endowment Fund "A"	Real Estate Endowment Fund "B"			
Operating Revenues:					
Interest from Surplus Money Investment Fund	\$ 146,320	\$ 38,762	\$ --	\$ --	\$ 185,082
Operating Expenses	<u>12,783</u>	<u>23,431</u>	<u>--</u>	<u>--</u>	<u>36,214</u>
Income Before Operating Transfers	<u>133,537</u>	<u>15,331</u>	<u>--</u>	<u>--</u>	<u>148,868</u>
Operating Transfers In:					
Transfers from the State School Fund	<u>--</u>	<u>--</u>	<u>1,000,000</u>	<u>--</u>	<u>1,000,000</u>
Net Income	133,537	15,331	1,000,000	--	1,148,868
Fund Equity - July 1	<u>1,691,607</u>	<u>454,832</u>	<u>--</u>	<u>200,000</u>	<u>2,346,439</u>
Fund Equity - June 30	<u>\$1,825,144</u>	<u>\$470,163</u>	<u>\$1,000,000</u>	<u>\$200,000</u>	<u>\$3,495,307</u>

BOARD OF GOVERNORS  
OF THE CALIFORNIA COMMUNITY COLLEGES  
COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES - ALL AGENCY FUNDS  
SPECIAL DEPOSIT FUND

FOR FISCAL YEAR ENDED JUNE 30, 1979

	Balance July 1, 1978	Additions	Deductions	Balance June 30, 1979
<u>TAX SHELTERED ANNUITY ACCOUNT</u>				
ASSETS				
Cash	<u>\$ --</u>	<u>\$ 12,600</u>	<u>\$ 12,600</u>	<u>\$ --</u>
LIABILITIES				
Due to Investors	<u>\$ --</u>	<u>\$ 12,600</u>	<u>\$ 12,600</u>	<u>\$ --</u>
<u>UNEMPLOYMENT INSURANCE ADMINISTRATION ACCOUNT</u>				
ASSETS				
Cash	<u>\$4,314</u>	<u>\$140,480</u>	<u>\$136,968</u>	<u>\$7,826</u>
LIABILITIES				
Due to County School Superintendents	<u>\$4,314</u>	<u>\$140,480</u>	<u>\$136,968</u>	<u>\$7,826</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	<u>\$4,314</u>	<u>\$153,080</u>	<u>\$149,568</u>	<u>\$7,826</u>
LIABILITIES				
Due to Investors	\$ --	\$ 12,600	\$ 12,600	\$ --
Due to County School Superintendents	<u>4,314</u>	<u>140,480</u>	<u>136,968</u>	<u>7,826</u>
Total Liabilities	<u>\$4,314</u>	<u>\$153,080</u>	<u>\$149,568</u>	<u>\$7,826</u>

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND EQUITY - BUDGET AND ACTUAL  
FOR ALL GENERAL FUND APPROPRIATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Support			Extended Opportunity Programs and Services			Specified Travel Expenses of Students			Relief to Community College Districts for State Approved Capital Outlay Projects			Totals (Memorandum Only)		
	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance
Revenues:															
Miscellaneous	\$ --	\$ 1,780	\$ 1,780	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,780	\$ 1,780
Other Financing Sources:															
Appropriations	5,178,354	3,855,091	(1,323,263)	25,166,698	15,196,601	(9,970,097)	7,500	176	(7,324)	4,959,000	1,419,272	(3,539,728)	35,311,552	20,471,140	(14,840,412)
Total Revenues and Other Financing Sources	\$ 5,178,354	3,856,871	\$ (1,321,483)	\$ 25,166,698	15,196,601	\$ (9,970,097)	\$ 7,500	176	\$ (7,324)	\$ 4,959,000	1,419,272	\$ (3,539,728)	\$ 35,311,552	20,472,920	\$ (14,838,632)
Expenditures:															
Current:															
Personal services	\$ 3,164,764	2,956,350	\$ 208,414	\$ --	--	\$ --	\$ --	--	\$ --	\$ --	--	\$ --	\$ 3,164,764	2,956,350	\$ 208,414
Operating expenses and equipment	1,358,952	1,114,884	244,068	--	--	--	7,500	7,500	--	--	--	--	1,366,452	1,122,384	244,068
Adjustments from liquidation	(60,778)	(60,778)	--	--	--	--	--	--	--	--	--	--	(60,778)	(60,778)	--
Reimbursements	(2,007,512)	(1,620,488)	(387,024)	--	--	--	--	--	--	--	--	--	(2,007,512)	(1,620,488)	(387,024)
Capital outlay	--	--	--	--	--	--	--	--	--	4,959,000	4,189,521	769,479	4,959,000	4,189,521	769,479
Intergovernmental:															
Extended Opportunity Programs	--	--	--	17,389,919	17,389,919	--	--	--	--	--	--	--	17,389,919	17,389,919	--
and Services	--	--	--	(192,497)	(192,497)	--	--	--	--	--	--	--	(192,497)	(192,497)	--
Adjustments from liquidation	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
of accruals	2,455,426	2,389,968	65,458	17,197,422	17,197,422	--	7,500	7,500	--	4,959,000	4,189,521	769,479	24,619,348	23,784,411	834,937
Total Expenditures	1,376,641	1,376,641	--	--	--	--	--	--	--	--	--	--	1,376,641	1,376,641	--
Other Uses:															
Intrafund transfers	\$ 3,832,067	3,766,609	\$ 65,458	\$ 17,197,422	17,197,422	\$ --	\$ 7,500	7,500	\$ --	\$ 4,959,000	4,189,521	\$ 769,479	\$ 25,995,989	25,161,052	\$ 834,937
Total Expenditures and Other Uses															
Excess of Revenues and Other Sources over (under)		90,262			(2,000,821)			(7,324)			(2,770,249)			(4,680,137)	
Expenditures and Other Uses		(34,297)			(7,843,581)			--			--			(7,877,878)	
Fund Equity:															
Operating Clearing - July 1															
Operating Clearing - June 30		\$ 55,965			\$ (9,844,402)			\$ (7,324)			\$ (2,770,249)			\$ (12,566,010)	

### OTHER COMMENTS

As an integral part of our examination, we reviewed the Board of Governors of the California Community Colleges' accounting procedures and its related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the board's financial statements present its financial position and the results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the board in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The board generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
Capitol Press Corps